

MONTGOMERY WARD
Sixty-Eighth Annual Report
Twelve Months Ended
January 31
1940

BOARDS

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THE UNIVERSITY OF CHICAGO

DEPARTMENT OF CHEMISTRY

LABORATORY OF PHYSICAL CHEMISTRY

CHICAGO, ILL.

1941

MONTGOMERY WARD & CO.

INCORPORATED

(AN ILLINOIS CORPORATION)

Sixty-Eighth Annual Report

Twelve Months Ended January 31, 1940

Chicago, March 20, 1940

*To the Stockholders of
Montgomery Ward & Co.:*

Net profit for the year ended January 31, 1940 was \$27,010,645, or the equivalent of \$4.91 per share of common stock after deducting the dividends of \$7.00 per share paid on Class "A" stock. For the previous year the corresponding net profit was \$19,644,956, or \$3.50 per share of common stock.

Cash dividends paid during the year amounted to \$11,845,172, of which the Class "A" stockholders received \$1,410,878 and the common stockholders received \$10,434,294, or \$2.00 per share.

Expenditures for additions and improvements to properties, which totaled \$7,947,379, provided new and more advantageously located store sites and buildings, store fixtures and equipment, and additional and improved facilities in the mail order houses.

Net sales of \$474,882,032 were the largest in the company's history, and represented an increase of \$60,920,791, or 14.7%,

over the sales of the previous year. This increase in volume required, in addition to substantial investment in new store properties, the use of over \$32,000,000 in the extension of customers' time payment accounts and in increased inventories. To meet part of this need it was considered advisable to retain a substantial portion of the company's profits.

The opportunity for profitable growth suggests that the obtaining of additional working capital will soon be advisable.

Respectfully submitted,

SEWELL L. AVERY,

Chairman of the Board

Montgomery Ward
and
Consolidated Balance

ASSETS

Current Assets:

Cash (less treasurer's drafts outstanding)		\$ 14,396,411.78
Receivables—		
Customers' time payment accounts (average terms eight months, approximately \$5,100,000 maturing after one year)	\$ 82,606,060.96	
Customers' charge and other accounts	3,603,399.13	
Due from suppliers, claims receivable, etc.	2,312,738.78	
	<u>\$ 88,522,198.87</u>	
Less—Reserves for doubtful accounts, collection expense, etc.	9,641,986.64	78,880,212.23
Merchandise inventories; priced at the lower of cost or market.		96,323,612.35
Total current assets		<u>\$ 189,600,236.36</u>

Investments:

First mortgage notes and land contracts on homes sold (due in installments)	\$ 2,875,459.20	
Homes held for resale, at cost	3,792,898.84	
	<u>\$ 6,668,358.04</u>	
Less—Reserves for losses	1,704,147.29	\$ 4,964,210.75
Investments at cost, less reserves (including \$216,620 U. S. Government securities deposited under self-insurance agreements)	270,705.01	5,234,915.76
		<u>7,153,715.14</u>

Prepaid Catalog Costs and Expenses

Fixed Assets (at cost, less depreciation reserves):

Land	\$ 6,508,200.55	
Buildings	\$ 36,098,634.40	
Fixtures and equipment	29,120,597.06	
	<u>\$ 65,219,231.46</u>	
Less—Reserves for depreciation	27,630,146.79	37,589,084.67
Leasehold improvements (less amortization)	5,750,743.26	49,848,028.48
		<u><u>\$ 251,836,895.74</u></u>

& Co., Incorporated

SUBSIDIARY

Sheet—January 31, 1940

LIABILITIES

Current Liabilities:

Accounts payable.....	\$ 18,797,095.02	
Due customers.....	<u>2,999,959.42</u>	\$ 21,797,054.44
Accrued expenses and taxes—		
Salaries, wages, extra compensation, other operating expenses, etc....	\$ 8,078,638.44	
Personal property, real estate, state income, and sundry taxes.....	3,179,759.23	
Federal income tax (subject to final determination by Treasury Department)	<u>7,649,496.85</u>	18,907,894.52
Total current liabilities.....		\$ 40,704,948.96

Reserve for Self-insurance.....	1,132,412.06
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Capital Stock and Surplus:

Capital stock—

Authorized—

Class "A"—205,000 shares of no
par value, \$7 per share cumulative
dividends, non-callable and entitled
in liquidation to \$100 per share

Common—6,000,000 shares of no
par value.....

Issued (stated value)—

Class "A"— 205,000 shares}	\$ 149,288,340.08
Common—5,217,147 shares}	

Earned surplus.....	60,963,871.14
	<u>\$ 210,252,211.22</u>

Less—Treasury stock—

Class "A"—3,446 shares.....	<u>252,676.50</u>	209,999,534.72
		<u>\$ 251,836,895.74</u>

Montgomery Ward & Co., Incorporated

COMPARATIVE CONSOLIDATED INCOME ACCOUNT
FOR THE YEARS ENDED JANUARY 31, 1940 AND 1939

	<i>Year Ended January 31</i>	
	<i>1940</i>	<i>1939</i>
Net sales.....	\$ 474,882,032.00	\$ 413,961,241.00
Deduct—		
Cost of goods sold, selling and general expenses, and all taxes other than income taxes.....	\$ 437,297,195.51	\$ 386,539,137.18
Depreciation of fixed properties.....	3,137,406.33	3,269,914.36
Amortization of leasehold improvements.....	356,992.32	315,058.99
	<u>\$ 440,791,594.16</u>	<u>\$ 390,124,110.53</u>
Net operating profit.....	\$ 34,090,437.84	\$ 23,837,130.47
Interest earned on mortgages and land contracts and rentals on homes held for resale, less direct expense applicable thereto, etc.....	<u>220,207.06</u>	<u>207,825.84</u>
Net profit before Federal and state income taxes.....	\$ 34,310,644.90	\$ 24,044,956.31
Provision for Federal and state income taxes.....	<u>7,300,000.00</u>	<u>4,400,000.00</u>
Net profit.....	<u>\$ 27,010,644.90</u>	<u>\$ 19,644,956.31</u>

RECORD OF ANNUAL NET SALES

1939-40.....	\$ 474,882,032	1934-35.....	\$ 249,805,721
1938-39.....	413,961,241	1933-34.....	187,632,543
1937-38.....	414,090,544	1932-33 (13 months)....	176,488,690
1936-37.....	361,297,059	1931.....	200,400,193
1935-36.....	293,042,357	1930.....	249,097,223

Montgomery Ward & Co., Incorporated

CONSOLIDATED EARNED SURPLUS ACCOUNT FOR THE YEAR ENDED JANUARY 31, 1940

Balance January 31, 1939.....	\$ 45,798,398.24
Net profit for the year ended January 31, 1940.....	<u>27,010,644.90</u>
Total.....	\$ 72,809,043.14
Deduct—	
Dividends on Class "A" stock—\$7.00 per share.....	\$ 1,410,878.00
Dividends on common stock—\$2.00 per share.....	<u>10,434,294.00</u>
Balance January 31, 1940.....	<u><u>11,845,172.00</u></u>
	<u><u>\$ 60,963,871.14</u></u>

To the Board of Directors,

Montgomery Ward & Co., Incorporated:

We have made an examination of the consolidated balance sheet of MONTGOMERY WARD & Co., INCORPORATED (an Illinois corporation) and its subsidiary as of January 31, 1940, and the statements of consolidated income and surplus for the year ended that date. In connection therewith we have examined or tested accounting records of the companies and other supporting evidence and have reviewed the system of internal control and the accounting procedures of the companies by methods and to the extent we deemed appropriate, but we did not make a detailed audit of the transactions. We made a similar examination for the preceding year.

In our opinion the accompanying consolidated balance sheet and related statements of income and surplus fairly present the financial position of Montgomery Ward & Co., Incorporated, and subsidiary at January 31, 1940, and the results of their operations for the two years ended that date, in conformity with generally accepted accounting principles consistently maintained by the companies during the period.

Chicago, Illinois,
March 9, 1940.

ARTHUR ANDERSEN & Co.

Montgomery Ward & Co., Incorporated

COMPARATIVE CONSOLIDATED BALANCE SHEETS
AS AT JANUARY 31, 1940 AND 1939

	<i>January 31</i>	
	<i>1940</i>	<i>1939</i>
ASSETS		
Current Assets:		
Cash.....	\$ 14,396,411.78	\$ 24,392,658.32
Receivables, less reserves.....	78,880,212.23	62,593,190.86
Merchandise inventories.....	96,323,612.35	81,494,245.14
Total current assets.....	\$ 189,600,236.36	\$ 168,480,094.32
Investments in Mortgages, Real Estate, etc.....	5,234,915.76	6,012,450.51
Prepaid Catalog Costs and Expenses..	7,153,715.14	6,655,355.50
Fixed Assets, less depreciation reserves..	49,848,028.48	46,683,089.82
	<u>\$ 251,836,895.74</u>	<u>\$ 227,830,990.15</u>

LIABILITIES

Current Liabilities.....	\$ 40,704,948.96	\$ 31,901,197.85
Reserve for Self-insurance.....	1,132,412.06	1,095,730.48
Capital Stock and Surplus:		
Capital stock issued (stated value).....	149,288,340.08	149,288,340.08
Less—Treasury stock.....	252,676.50	252,676.50
Earned surplus.....	60,963,871.14	45,798,398.24
	<u>\$ 251,836,895.74</u>	<u>\$ 227,830,990.15</u>

Net Working Capital.....	\$ 148,895,287.40	\$ 136,578,896.47
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Statement of Taxes

FOR THE YEAR ENDED JANUARY 31, 1940

Charged Against Company Profit

	<i>Amount</i>	<i>Per share of common stock</i>
Federal income and capital stock taxes.....	\$ 7,063,681.72	\$ 1.35
State and local taxes.....	3,240,946.31	.62
Social security taxes.....	2,417,671.77	.46
	<hr/>	<hr/>
Total.....	\$ 12,722,299.80	\$ 2.43
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Collected from Customers and Employees

Customers' sales and use taxes.....	\$ 4,221,888.40
Employees' social security taxes.....	627,919.89

Montgomery Ward & Co., Incorporated

DIRECTORS

SEWELL L. AVERY, *Chairman*

DAVID A. CRAWFORD

CHARLES F. GLORE

HARRY P. DAVISON

D. R. McLENNAN

PERCY B. ECKHART

*SILAS H. STRAWN

RAYMOND H. FOGLER

JAMES W. THORNE

*Chairman, Executive Committee

OFFICERS

SEWELL L. AVERY.....*Chairman, Board of Directors*

RAYMOND H. FOGLER.....*President*

HAROLD L. PEARSON.....*Vice-President & Treasurer*

JOHN A. DONALDSON.....*Vice-President & Controller*

LOUIS C. LUSTENBERGER.....*Vice-President*

CHARLES W. HARRIS.....*Vice-President*

HOWARD W. JORDAN.....*Vice-President*

STUART S. BALL.....*Secretary*

ALBERT T. HUIZINGA.....*Assistant Treasurer*

ROBERT S. SMITH.....*Assistant Treasurer*

CHARLES B. FULLERTON.....*Assistant Secretary*

Transfer Agents

MONTGOMERY WARD & Co., INCORPORATED, CHICAGO, ILL.

MONTGOMERY WARD & Co., INCORPORATED, NEW YORK, N. Y.

Registrars

THE FIRST NATIONAL BANK OF CHICAGO, CHICAGO, ILL.

BANKERS TRUST COMPANY, NEW YORK, N. Y.







